International Seabed Authority ISBA/ST/SGB/2008/02

Secretariat

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Secretary-General's bulletin

Financial Rules of the International Seabed Authority

These Financial Rules are promulgated by the Secretary-General pursuant to the Financial Regulations of the International Seabed Authority.

1. General provisions

1.1 All staff of the International Seabed Authority are obligated to comply with the Financial Regulations and Rules and with any administrative instructions issued in connection with those Regulations and Rules. Any staff member who contravenes the Financial Regulations and Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her actions.

1.2 In the application of the Financial Regulations and Rules, officials shall be guided by the principles of effective and efficient financial management and the exercise of economy.

1.3 The Secretary-General may, from time to time, delegate authority and responsibility for the implementation of specific aspects of the Financial Regulations and Rules to other officials of the Authority.

2. Internal control

2.1 The utilization of all funds requires the prior authorization of the Secretary-General. Such authorization may take the form of:

(a) An allotment of funds or other authorization to commit, obligate and expend specified funds for specified purposes during a specified period;

(b) An authorization to employ staff against an approved staffing table.

2.2 Notwithstanding bank signatory functions assigned in accordance with Rule 3.3, all commitments, obligations and expenditures require at least two authorizing signatures, in either conventional or electronic form. All commitments, obligations and expenditures must first be signed ("certified") by a duly designated certifying officer. Following certification, duly designated approving officers must then sign to "approve" the establishment of obligations and the recording of expenditures in the accounts and the processing of payments.

2.3 Expenditures recorded against an established, certified obligation do not require additional certification, provided that they do not exceed the amount

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obligated by more than 10 per cent or $2,500 (or its equivalent in other currencies), whichever is lower. Expenditures under $2,500 (or its equivalent in other currencies) for which the recording of an obligation is unnecessary require both certification and approval.

Certifying officers

2.4 One or more officials shall be designated by the Secretary-General as the certifying officer(s) for the account(s) pertaining to a section or subsection of an approved budget. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with Rule 2.6.

2.5 Certifying officers are responsible for managing the utilization of resources, including posts, in accordance with the purposes for which those resources were approved, the principles of efficiency and effectiveness and the Financial Regulations and Rules of the Authority. Certifying officers must maintain detailed records of all obligations and expenditures against the accounts for which they have been delegated responsibility. They must be prepared to submit any supporting documents, explanations and justifications requested by the Secretary-General.

Approving officers

2.6 Approving officers are designated by the Secretary-General to approve the entry into the accounts of obligations and expenditures relating to contracts, agreements, purchase orders and other forms of undertaking after verifying that they are in order and have been certified by a duly designated certifying officer. Approving officers are also responsible for approving the making of payments once they have ensured that they are properly due, confirming that the necessary services, supplies or equipment have been received in accordance with the contract, agreement, purchase order or other form of undertaking by which they were ordered and, if the cost exceeds $2,500 (or its equivalent in other currencies), in accordance with the purpose for which the relevant financial obligation was established.

2.7 Approving officers must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Secretary-General.

2.8 Approving authority and responsibility is assigned on a personal basis and cannot be delegated. An approving officer cannot exercise the certifying functions assigned in accordance with Rule 2.4 or the bank signatory functions assigned in accordance with Rule 3.3.

Establishment and revision of obligations

2.9 Apart from the employment of staff against an authorized staffing table and consequential commitments under the Staff Regulations and Rules, no undertaking, including by contract, agreement or purchase order, for an amount exceeding $2,500 (or its equivalent in other currencies) shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts. This shall be done through the recording of obligations against which relevant payments or disbursements, made only on fulfilment of contractual and other obligations, shall be recorded as expenditure. An obligation shall be recorded in the accounts as unliquidated during

the period set forth in Financial Regulation 4.3 and until such point as it is re-obligated, liquidated or cancelled in accordance with Financial Regulation 4.4 and 4.5, as appropriate.

2.10 If, in the time that elapses between the establishment of an obligation and the processing of final payment, the cost of the relevant goods or services has, for whatever reason, increased by less than $2,500 (or its equivalent in other currencies) or 10 per cent of the obligation, whichever is lower, no change need be made to the amount of the original obligation. If, however, the increase in costs exceeds $2,500 (or its equivalent in other currencies), the original obligation must be revised to reflect this increase in requirements and further certification is required. All increases in obligations, including those resulting from currency fluctuations, shall be subject to the same procedures as apply to the incurring of original obligations.

Review, re-obligation and cancellation of obligations

2.11 Outstanding obligations must be reviewed periodically by the responsible certifying officer(s). If an obligation is determined to be valid but cannot be liquidated during the period set forth in Financial Regulation 4.3, the provisions of Financial Regulations 4.4 and 4.5 shall, as appropriate, be applied. Obligations that are no longer valid shall be cancelled from the accounts forthwith and the resulting credit surrendered.

2.12 When any obligation previously recorded in the accounts is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounts.

Obligating documents

2.13 An obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the Authority. All obligations must be supported by an appropriate obligating document.

3. Bank accounts and custody of funds

3.1 The Secretary-General shall designate the bank or banks in which the funds of the Authority shall be kept, shall establish all official bank accounts required for the transaction of the Authority's business and shall designate those officials to whom signatory authority is delegated for the operation of those accounts. The Secretary-General shall also authorize all bank account closures.

3.2 The Authority's bank accounts are to be opened and operated in accordance with the following guidelines:

(a) Bank accounts shall be designated "official accounts of the Authority" and the relevant authority shall be notified that those accounts are exempt from all taxation;

(b) Banks shall be required to provide prompt monthly or more frequent statements;

(c) Two signatures, or their electronic equivalent, shall be required on all cheques and other withdrawal instructions, including electronic modes of payment;

(d) All banks shall be required to recognize that the Secretary-General is authorized to receive, upon request or as promptly as is practicable, all information pertaining to official bank accounts of the Authority.

3.3 Bank signatory authority and responsibility is assigned on a personal basis and cannot be delegated. Bank signatories cannot exercise the approving functions assigned in accordance with Rule 2.6. Designated bank signatories must:

(a) Ensure that there are sufficient funds in the bank account when cheques and other payment instructions are presented for payment;

(b) Verify that all cheques and other payment instructions are pre-encumbered, dated and drawn to the order of the named payee approved by an approving officer (designated in accordance with Rule 2.6), as indicated in the accompanying disbursement voucher, payment instructions and original invoice;

(c) Ensure that cheques and other banking instruments are properly safeguarded and that when they are obsolete they are destroyed.

3.4 Officials responsible for the operation of the Authority's bank accounts or for holding the Authority's cash or negotiable instruments are not authorized to exchange one currency for another, except to the minimum extent necessary for the transaction of official business.

Cash advances

3.5 Petty cash advances and Cashier's Fund advances may be made only by and to officials designated for this purpose by the Secretary-General.

3.6 The relevant accounts shall be maintained on an imprest system and the amount and purpose of each advance shall be defined by the Secretary-General.

3.7 The Secretary-General may approve other cash advances as may be permitted by the Staff Regulations and Rules and administrative instructions and as may otherwise be authorized in writing by him or her.

3.8 Officials to whom cash advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash so advanced and must be in a position to account for these advances at all times. They shall submit monthly accounts unless otherwise directed by the Secretary-General.

Receipts

3.9 An official receipt shall be issued within two business days of receipt for all cash and negotiable instruments received. Only officials designated by the Secretary-General shall be authorized to issue official receipts. If other officials receive money intended for the Authority, they must immediately convey this money to an official authorized to issue an official receipt. All moneys received shall be deposited in an official bank account within two business days of receipt.

Disbursements/payments

3.10 All disbursements shall be made by cheque, by wire transfer, by credit card, or by electronic funds transfer except to the extent that cash disbursements are authorized by the Secretary-General.

3.11 Disbursements shall be recorded in the accounts as at the date on which they are made, that is, when the cheque is issued, transfer is effected, credit card is charged, or cash is paid out.

3.12 Except where a paid cheque is returned by the bank or a debit advice is received from the bank, a payee's written receipt shall be obtained for all disbursements.

Reconciliation of bank accounts

3.13 Every month, unless an exception is authorized by the Secretary-General, all financial transactions, including bank charges and commissions, must be reconciled with the information submitted by banks in accordance with Rule 3.2. This reconciliation must be performed by an official playing no actual part in the receipt or disbursement of funds.

4. Investments and income from investments

4.1 The Secretary-General may make and shall prudently manage investments under Financial Regulations 9.1 and 9.2.

4.2 The Secretary-General shall ensure, including by establishing appropriate guidelines, that funds are invested in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Authority's cash-flow requirements. In addition to these criteria, investments shall be selected on the basis of achieving the highest reasonable rate of return and shall accord with the principles of the Authority.

4.3 Investments shall be recorded in an investment ledger, which shall show all the relevant details for each investment, including, for example, face value, cost, date of maturity, place of deposit, proceeds of sale and income earned.

4.4 All investments shall be made through and maintained by recognized financial institutions designated by the Secretary-General.

4.5 All investment transactions, including the withdrawal of invested resources, require the authorization and signature of two officials designated for that purpose by the Secretary-General.

4.6 Income from general administrative fund and working capital fund investments shall be taken into account as miscellaneous income. Income from investments pertaining to trust funds and special accounts shall be credited to the trust fund or special account concerned.

4.7 Any investment losses must be reported at once to the Secretary-General and to the Finance Committee. The Finance Committee may authorize the writing-off of investment losses. A summary statement of investment losses, if any, shall be provided to the Auditor within three months following the end of the financial period. Investment losses shall be borne by the fund, trust fund, reserve or special account from which the principal amounts were obtained.

5. Accounting

5.1 In accordance with Financial Regulations 11.2 and 11.3 the principal accounts of the Authority shall include detailed, comprehensive and up-to-date records of assets and liabilities for all sources of funds. The principal accounts shall consist of:

(a) Administrative budget accounts showing:

(i) Original appropriations;

(ii) Appropriations as modified by transfers;

(iii) Credits (other than appropriations made available by the Assembly);

(iv) Expenditures, including payments and other disbursements and unliquidated obligations;

(v) Unencumbered balances of allotments and appropriations;

(b) General ledger accounts showing all cash at banks, investments, receivables and other assets, payables and other liabilities;

(c) The working capital fund and its sub funds and all trust funds and other special accounts.

Authority and responsibility

5.2 Responsibility for the accounts is assigned to the Secretary-General who shall establish all accounting systems used by the Authority and designate the officials responsible for performing accounting functions.

Accrual basis accounting

5.3 Unless otherwise directed by the Secretary-General or by the particular terms governing the operation of a trust fund or special account, all financial transactions shall be recorded in the accounts on an accrual basis in compliance with the prevailing accounting standards adopted by the Authority.

5.4 Except as may be otherwise directed by the Secretary-General, accounts shall be maintained in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary.

Accounting for exchange rate fluctuations

5.5 The Secretary-General shall establish the operational rates of exchange between the United States dollar and other currencies. The operational rates of exchange shall be used for recording all transactions.

5.6 Payments in currencies other than the United States dollar will be determined on the basis of the operational rate of exchange prevailing at the time of payment. Any difference between the actual amount received on exchange and the amount that would have been obtained at the operational rate of exchange shall be accounted for as loss or gain on exchange.

5.7 When closing the final accounts for a financial period, any negative balance on the account for "loss or gain on exchange" shall be debited to the relevant budget account, while any positive balance shall be credited to miscellaneous income.

Accounting for proceeds from the sale of property

5.8 The proceeds from the sale of property shall be credited as miscellaneous income except:

(a) where a Property Survey Board has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies (any balance shall be taken into account as miscellaneous income);

(b) when the trade-in of property is not considered to be a sale and the allowance shall be applied against the cost of the replacement property;

(c) where normal practice is to secure and use certain material or equipment in connection with a contract and to salvage and sell such material or equipment at a later stage;

(d) when the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project, provided that they have not been closed;

(e) when equipment is transferred from one project for use in another and the accounts of the releasing project are open, the fair market value of such equipment shall be credited to the accounts of the releasing project and charged to the accounts of the project receiving the equipment.

Accounting for commitments against future financial periods

5.9 Obligations established prior to the financial period to which they pertain, pursuant to Financial Regulation 3.10, shall be recorded against a deferred charge account. Deferred charges shall be transferred to the appropriate account when the necessary appropriations and funds become available.

6. Procurement

6.1 Procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the Authority:

(a) Best value for money;

(b) Fairness, integrity and transparency;

(c) Effective international competition;

(d) The interest of the Authority.

6.2 The Secretary-General is responsible for the procurement functions of the Authority and he shall establish all Authority procurement systems and shall designate the officials responsible for performing procurement functions.

Contracts review committee

6.3 The Secretary-General shall establish a review committee to render written advice to the Secretary-General on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of the Financial Regulations and these Rules, includes agreements or other written instruments such as purchase orders and contracts that involve income to the Authority. The

Secretary-General shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review.

6.4 Where the advice of a review committee is required, no final action leading to the award or amendment of a procurement contract may be taken before such advice is received. In cases where the Secretary-General decides not to accept the advice of such a review committee, he or she shall record in writing the reasons for that decision.

Competition

6.5 Except as otherwise provided in Rule 6.10, procurement contracts shall be awarded on the basis of effective competition, and to this end the competitive process shall, as necessary, include:

(a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;

(b) Market research for identifying potential suppliers;

(c) Consideration of prudent commercial practices;

(d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation such as requests for quotations. The Secretary-General may issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used;

(e) Public bid openings.

Formal methods of solicitation

6.6 In accordance with Financial Regulation 10.5, tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Authority, a departure from this practice is desirable.

6.7 When a formal invitation to bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid substantially conforms to the requirements set forth in the solicitation documents and is evaluated to be the one with the lowest cost to the Authority.

6.8 When a formal request for proposals has been issued, the procurement contract shall be awarded to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documents.

6.9 The Secretary-General may, in the interest of the Authority, reject bids or proposals for a particular procurement action, recording the reasons for rejection in writing. The Secretary-General shall then determine whether to undertake a new solicitation, to directly negotiate a procurement contract pursuant to Rule 6.10 or to terminate or suspend the procurement action.

Exceptions to the use of formal methods of solicitation

6.10 The Secretary-General may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of the Authority:

(a) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation or where the requirement involves a proprietary product or service;

(b) When there has been a previous determination or there is a need to standardize the requirement;

(c) When the proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to Rule 6.12;

(d) When offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;

(e) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results;

(f) When the proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition;

(g) When there is an exigency for the requirement;

(h) When the proposed procurement contract relates to obtaining services that cannot be evaluated objectively;

(i) When the Secretary-General otherwise determines that a formal solicitation will not give satisfactory results;

(j) When the value of the procurement is below the monetary threshold established for formal methods of solicitation.

6.11 When a determination is made pursuant to paragraph 6.10 above, the Secretary-General shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor, whose offer substantially conforms to the requirement at an acceptable price.

Cooperation

6.12 The Secretary-General may cooperate with other organizations of the United Nations common system to meet the procurement requirements of the Authority, provided that the regulations and rules of those organizations are consistent with those of the Authority. The Secretary-General may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together or the United Nations entering into a contract relying on a procurement decision of the Authority or requesting another United Nations organization to carry out procurement activities on behalf of the Authority.

6.13 The Secretary-General may, to the extent authorized by the Assembly, cooperate with a government, nongovernmental organization or other public international organization in respect of procurement activities and, as appropriate, enter into agreements for such purposes.

Written contracts

6.14 Written procurement contracts shall be used to formalize every procurement action with a monetary value exceeding specific thresholds established by the Secretary-General. Such arrangements shall, as appropriate, specify in detail:

(a) The nature of the products or services being procured;

(b) The quantity being procured;

(c) The contract or unit price;

(d) The period covered;

(e) Conditions to be fulfilled, including the Authority's general conditions of contract and implications for non-delivery;

(f) Terms of delivery and payment;

(g) Name and address of supplier.

6.15 The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before any electronic means of data interchange is used, the Secretary-General shall ensure that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information.

Advance and progress payments

6.16 Except where normal commercial practice or the interests of the Authority so require, no contract or other form of undertaking shall be made on behalf of the Authority which requires a payment or payments on account in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed to, the reasons therefor shall be recorded.

6.17 The Secretary-General may, where necessary, authorize progress payments.

7. Property management

7.1 The Secretary-General is responsible for the management of the property of the Authority, including all systems governing its receipt, recording, utilization, safekeeping, maintenance and disposal, including by sale, and shall designate the officials responsible for performing property management functions.

7.2 A summary statement of non-expendable Authority property shall be provided to the Auditors not later than three months following the end of the financial period.

Property Survey Boards

7.3 The Secretary-General shall establish a Property Survey Board to render written advice to him or her in respect of loss, damage or other discrepancy regarding the property of the Authority. The Secretary-General shall establish the composition and terms of reference of the Board, which shall include procedures for determining the cause of such loss, damage or other discrepancy, the disposal action to be taken in accordance with Rule 7.5 and the degree of responsibility, if any, attaching to any official of the Authority or other party for such loss, damage or other discrepancy.

7.4 Where the advice of the Property Survey Board is required, no final action in respect of Authority property loss, damage or other discrepancy may be taken before such advice is received by the Secretary-General. In cases where the Secretary-General decides not to accept the advice of the Board, he or she shall record in writing the reasons for that decision.

Sale and disposal of property

7.5 Sales of supplies, equipment or other property declared surplus or unserviceable shall be based on competitive bidding, unless the relevant Property Survey Board:

(a) Estimates that the sales value is less than an amount to be specified by the Secretary-General;

(b) Considers that the exchange of property in partial or full payment for replacement equipment or supplies are in the best interest of the Authority;

(c) Deems it appropriate to transfer surplus property from one operation for use in another and determines the fair market value at which the transfer(s) shall be effected;

(d) Determines that the destruction of the surplus or unserviceable material will be more economical or is required by law or by the nature of the property;

(e) Determines that the interests of the Authority will be served through the disposal of the property by gift or by sale at a nominal price to an intergovernmental organization, a government or governmental agency or some other non-profit organization.

7.6 Except as provided for in Rule 7.5, property shall be sold on the basis of payments made on or before delivery.

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